

**SPECIAL MEETING  
BOARD OF MAYOR AND ALDERMEN**

**October 28, 2002**

**6:00 PM**

Mayor Baines called the meeting to order.

Mayor Baines called for the Pledge of Allegiance, this function being led by Alderman Smith.

A moment of silent prayer was held in memory of Minnesota Senator Paul Wellstone, his family and all the crew members and staff members who perished in a plane crash on October 18<sup>th</sup>.

The Clerk called the roll. There were fourteen Aldermen present.

Present: Aldermen Wihby, Gatsas, Guinta, Sysyn, Osborne, Pinard, O'Neil,  
Lopez, Shea, DeVries, Garrity, Smith, Thibault, Forest

Mayor Baines stated this is a special meeting of the Board to discuss the financial situation of the City and implications for the tax rate and I'd like to turn this presentation over to our Finance Officer, Kevin Clougherty.

Mr. Clougherty stated this evening the Mayor has asked us to do a brief presentation as to where we are with respect to the tax rate setting process. We're going to handle that through two slides. We've tried to simplify it and cut to the issues so that we could keep focused on the task at hand. There's a handout that the City Clerk has and they'll be coming around which really puts on one sheet of paper the two slides that you'll be seeing tonight. So, with that I will ask Seth to get us started here...what we've tried to do in this presentation is to give you a chronology of where we were with the budget and what the implications were for the tax rate. If you take a look in the top left-hand column (June 30) on June 30<sup>th</sup> the City had adopted a budget...the budget was setting a new tax rate projected at \$25.76 which was a \$1.94 increase over the prior year which was \$23.82 for a percentage impact of 8.14% tax rate increase. So, that was adopted by the Board and that was the budget moving forward. If you recall in July and August there were some questions about the viability of the sale of the garages for \$750,000 and the assessed valuation numbers and the budget was recalculated and at that point the best projection was that unless there were actions taken the new tax rate would be \$26.18 which would be an increased of \$2.36 and a percentage increase of close to 10% (9.90%). At that point, the Mayor recommended that he have some time until

September to formulate some proposals and in September the Mayor came back and he had a series of items or menu of items that he presented to the Board for consideration to address the problem. Departments cuts of \$650,000, cuts to CIP accounts of \$255,000, a change in parking management for \$165,000...a \$100,000 in new revenues, \$65,000 through cost reductions in the contract, the introduction of an auto registration program that would be a surcharge of \$1.00 (minimum), \$5.00 (maximum) on every registration for a projected estimate of about \$350,000 if it were implemented November 1<sup>st</sup>. Obviously, we've not made that projection so we'll have to come back and revisit that. There is also the opportunity to consider three ordinances which, if adopted, would result in the \$500,000 revenue plus toward the tax rate...there were three elements of that as you recall...one was to deal with the insurances and to make sure that we were going to be in the future guaranteeing that we were going to stay toward the actuarial estimates that we receive, the second piece was to set aside one time revenues in a special account and the third was to deal with the tax rate stabilization...in other words, taking a percentage of the undesignated fund balance each year and forecasting that forward. The School revenues were also projected to come in a little bit higher and that all would have resulted in a \$2,427,000 impact against the \$2,150,000 projected problem so that the tax rate at that time would be \$25.71 as opposed to the originally adopted \$25.76...the forecasted increase would be \$1.85 as opposed to \$1.94 and as a result the projected tax rate increase would be instead of 8.14% which was adopted in June it could get as low as 7.90%. To date, through October there have been actions taken by the Board and its committees. The Board has adopted the recommended cuts of \$650,000 and those are already in place, no additional action is necessary. CIP accounts of \$255,000 in terms of closeout of some of those projects has already been accomplished and again no further action is taken. The Assessor's projection for their forms for the tax rate improved a little bit and that resulted in an estimate of \$5.130 billion which was higher than what we'd heard in July and that results in a \$125,000 impact, so that's a good thing and the School revenues in their MS forms that we have copies of in our office are exactly what they said they would be, so there is a \$507,351 item in those forms. So, collectively to date, against the \$2.1 million problem we've taken \$1,537,351 worth of actions. So, if nothing else happens between now and the time the tax rate is set the tax rate would be \$25.86, the increase would be \$2.04 over the prior year's tax rate which was \$23.82 and the percentage increase would be 8.50%. There are in this bottom category some items that were included in the Mayor's recommendations in September that haven't been addressed and we'd just like to cover those so we can give the Board some idea as to what the impact of those, if enacted, would be. The reserve account is a \$500,000 impact...I understand from talking to Alderman Wihby that we'll be meeting with his committee in another week to talk about those ordinances...he's asked if we could have some information from the actuary as well as from our financial advisor...we will do that...the \$500,000 just to summarize quickly...our projected fund balance (undesignated) for fiscal year 2002 unaudited is about \$4.3 million. But, against that \$4.3 million is a \$2 million School deficit, so you really don't have \$4.3 million, you've got \$2.3 million and against that is the \$1.1 million that we were going to apply from last year's tax rate and you're looking at \$1.5 million for this year, so all of these

ordinances are important in order to verify and put in place the controls that we feel are necessary to end the next fiscal year in a position to deliver on all of those demands, so that is what that discussion will be before the committee next week. Parking Management Contract – is \$150,000 now...if you looked at the prior slide or you look at the columns on the sheet in front of you you'll see that the original projection was \$165,000. Now, the \$165,000 projection was if these went into effect on November 1<sup>st</sup>, obviously they're not going to go into effect on November 1<sup>st</sup>, so this is a projection as of December. If you were to change the management contract then those are the savings you're looking at; that has been in the Traffic Committee, it was denied and we list it there just to give you a status report which is what the Mayor has asked us to do this evening. At that same time, some of the committee members said in lieu of the parking management contract maybe take a different tact and introduce a \$4.00 parking fee increase in the garages...that would result in about a \$200,000 increase annually about \$102,000 was the projection from Traffic that we received today. That item has not been addressed by the Traffic Committee and is still in Traffic Committee. Now on each one of these items that we're talking about here if we don't have ordinances by the next meeting (November 6<sup>th</sup>) we won't be able to include them in the tax rate setting, so one of the reasons why we're meeting with you tonight is to try and set the stage for the Board to take some action, if it's inclined to do so, on any of these remaining items. So, the reserve account...the ordinances are in Bills on Second Reading...there's a meeting scheduled for that and we expect some action...Parking Management Contract is in the Traffic Committee, it was denied...the \$4.00 Parking Fee Increase is in Traffic Committee and my understanding is there might be some interest in the Traffic Committee having a meeting before the Board meeting next week to address that because it really didn't get a chance to be discussed at the last meeting when the parking contract was being discussed, so you might be able to have a chance to look at that one. Similar to the auto registration, the \$260,000...at the last meeting of the Traffic Committee that was the last item on the agenda and it was denied but it really didn't get the discussion that I think some of the members wanted to have at that point in time, the meeting was running late so there may be the opportunity for that along with the Parking Fee Increase to be discussed at the Traffic Committee between now and the sixth so that these items could be taken because again both of these items require ordinance changes and we'd have to have them approved by the Board if we're going to include them in the tax rate. It's my understanding from talking to the Solicitor's Office that you can suspend the rules and all these could be accomplished between now and the sixth or shortly thereafter so that we could have them included in the tax rate. If you were to pass on all of those and enact them that would be an additional \$1.012 million and the tax rate would be \$25.66 which would be an increase of \$1.84 and the tax rate increase projected would not be 8.1%, but 7.7%. Mayor, that summarizes where we are and the issues that are before the Board that really need to be addressed. There were some other items that the Mayor included that were more of a long-term nature that really aren't included in the chart because between now and another week they are just not going to get addressed...that's the Bag and Tag initiative and some of the reorganizations. Those are more, as you recall, are longer-term times that need to be

addressed for the upcoming budget and will be coming forward, I think, in a few weeks at the request of the Mayor to give a more detailed presentation on the overall finances, but we thought for tonight this is where we need to focus and these are the items that are still outstanding.

Mayor Baines stated in reference to what Mr. Clougherty just said the other things are more long-term, we're going to keep coming back with them...as I've said to the Board at some point we need to start yes to some of these proposals if we're going to get the long-term fiscal health of the City in order. Just a responsible recycling program, if we had put that in effect at the beginning of the last fiscal year we'd now be talking approximately a 6% tax increase...if we do some things, I think, a little bit longer term but those are other issues that are going to have to be addressed in a very thoughtful and deliberative manner with this Board going forward along with our restructuring initiatives. If we keep rejecting them we're not going to be able to get a hold of long-term financial health and condition of the City and we need the support of all of the Aldermen to advance these various issues.

Alderman Wihby stated, Kevin, basically those four items under November 6<sup>th</sup>...the first one is going to be discussed...all four are going to be taken up on the sixth recommended from the committee and brought up to the full Board, so if they pass it will be a 7.7% or if they're changed a little it would be a little higher, but those are all coming up on the sixth.

Mr. Clougherty stated I should back up...if you look at the numbers next to each item it's says \$500,000 and then it has \$.10 that is the tax rate impact for that one...the next one is \$.03, \$.02...so we tried to give you some idea of the range of impacts by mixing and matching these or doing all of them you would have on the tax rate.

Mayor Baines interjected just a clarification...on the Parking Management issue unless there's a minority report coming from the committee that's a dead issue because isn't the report of that committee not to go forward with that.

Mr. Clougherty stated right, I think I said that but I think what Alderman Wihby said is the Board could certainly discuss those items at the Board level.

Alderman Wihby stated my understanding was that they were having the people come in to talk about it again at the Traffic Committee.

Alderman Sysyn stated on November 6<sup>th</sup>.

Alderman Wihby stated it's not dead, it's they're having a discussion.

Mayor Baines stated but we won't be able to implement it for the tax rate setting purposes.

Alderman Wihby asked why not?

Mayor Baines stated unless we do this by next Wednesday...

Alderman Sysyn stated we're having a Traffic Committee meeting on November 6<sup>th</sup> before the full Board and the people who submitted the RFP's are coming in, the three contract people are coming in.

Mayor Baines stated so it's on the day of our meeting.

Alderman Wihby stated so all four issues actually could pass and they're all scheduled for the sixth. The question that I had, Kevin, was on the department cuts the \$650,000...there was a big number for Health Insurance that we took out of the reserves, where is that at?

Mr. Clougherty replied that's that \$500,000 Reserve Account that we're going to be talking to your committee about next week.

Alderman Wihby stated I thought the \$500,000 was being able to use more fund balance.

Mr. Clougherty stated it really is a combination of the two, Alderman. When we made the presentation we said it would either be out of the insurance reserves or the fund balance and that's what we're going to explain at that meeting.

Alderman Wihby stated so the \$500,000 that we have in reserves now in health...you're asking to form this other sort of fund to put that money in that.

Mr. Clougherty stated the intent of the Insurance Reserve ordinance is to first and foremost in the future make sure that we're doing everything we can to stay at the actuarially required level and if you have, for example, met your actuarial requirement in Health Insurance but not worker's comp then the balance would first go there, so the primary intent of that ordinance proposal is to make sure that at the end of the day all of the actuarial required insurance funds are to the extent possible, fully funded. There if there's additional funding or balances it would go forward from there.

Alderman Thibault stated if we agreed with this \$4.00 parking fee increase can you give me some idea as to where we would end up with say private entities throughout the City who are charging for parking and what are they charging as compared to what this \$4.00 increase would end up at, an idea, a ballpark.

Mr. Clougherty replied I think you'd be close but my understanding is that a lot of figures are being prepared for the committee meeting next week, so that you'll have it at that point. We just got these numbers and we're trying to give you our best guessestimate.

Alderman Thibault stated so Traffic might have those numbers. Thank you.

Mayor Baines stated just so you know we still have a hiring freeze in place, we have not been filling positions. We still have two deputy chief positions in the Fire Department not filled and various positions in every department in the City right now that are still unfilled and at some point in time we're going to start impacting services to the community as well.

Alderman Lopez stated we need some clarification here. On the \$4.00 parking fee, I believe that was received and filed in the committee already so I don't believe they're taking that issue up.

Alderman Sysyn stated it wasn't received and filed, they tabled it. I had brought a letter in requesting that we bring the fees up but it's been tabled.

Alderman Lopez in reference to the Parking Management Contract stated they're having a meeting on the sixth but you need that by the 31<sup>st</sup> in order for the paperwork, am I correct or not.

Mr. Clougherty replied no. What we've said is we'll wait till the sixth. If the Board has its meeting on the sixth and decides to change the contract and takes a vote to do that on the sixth we would include that as we would any of these other items. At the conclusion of the Aldermanic meeting we don't have ordinances or have actions then it won't be included.

Mayor Baines stated so we're not doing anything on the forms for DRA until after the Board meeting on the sixth.

Alderman Lopez stated okay, that's good clarification. Let's go over this \$4.3 million that you have...\$2 million for the schools next year and you have \$2.3 million left is that what you're saying?

Mr. Clougherty replied we're saying that one of the questions was could more fund balance be used and when you look at the undesignated fund balance the projected unaudited number that you've been seeing in the financials is \$4.3 million and you might just say well \$4.3 million we can use...that's no problem, we can use \$4.3 million. Well, you have to look and see that you've got a \$2 million School deficit that sitting to offset against and you've got a tax rate pledge that you used last year as part of the tax rate setting to use \$1.1 million and then this year it was \$1.5 million, but you've got some demands on that fund balance that are in excess of what the fund balance may be and unless you put in, In our opinion, some ordinances that help to manage that we can't guarantee that you'll have that fund balance at the end of next year. So, that's the purpose of the ordinances to make sure that we put in place a discipline to get there and that's what we'll be talking to Alderman Wihby's

committee about next week and he's asked us to bring in...because part of the calculation as you know is the insurance reserves, so we will have the actuaries, we'll have all the information plus we're farther along on the audit so we could be that much more certain on the \$4.3 million.

Alderman Gatsas stated the \$260,000 that is an increase in the auto registration fee by \$4.00.

Mr. Clougherty stated what that would be...is cities over 50,000 population are allowed under State Statute to put in place a surcharge on auto registrations and using those dollars solely for parking and parking related activities. It's based on a millage formula that allows you to have a minimum of \$1.00 per car and then you can go up to as much as \$5.00 mills per vehicle. We're not recommending that that goes up because on a luxury car that could be a pretty substantial hit. So, what we were recommending is instead of going up on the millage up to the maximum we would say introduce the surcharge and nobody pays less than a dollar and nobody pays more than \$5.00 per car, not \$5.00 per formula, \$5.00 per car. If you use that formula we got a letter from the Tax Collector today and her projection was that she might be able to have that implemented by January and estimated about 54,000 cars and forecasted about \$260,000.

Alderman Gatsas stated so that is just another fee that you can use for parking so instead of increasing the parking fee an additional \$4.00 or \$7.00 to make it a user fee that the people that are parking there we're going to tell people that you register your car, we're going to take a little bit more money and it's for the parking offset.

Mr. Clougherty stated the way we looked at it is if you don't do it the tax rate goes up that \$0.05.

Mayor Baines asked, Kevin, explain the concept behind that fee, it's not just for the parking, the goal would also be to build up a fund to address the long-term parking issues in the City, not just the present parking issues.

Mr. Clougherty stated if you were to introduce this as a source of revenue, as I mentioned earlier, it has to be dedicated for the certain use of parking and it's a source of revenue we can use to help with the parking garages or to build additional parking facilities and make repairs to the parking facilities. That in concert with some increase to the fees would address some of the concerns that Jay Taylor has been speaking to to the Board over the last number of years.

Alderman Gatsas in reference to the Reserve Account stated maybe you can help me with that because I think I remember four months ago you were adamant about changing that with me because I had suggested that during the budget cycle and you wanted no part of moving

that \$500,000 because we weren't actuarially sound in our reserves. All of a sudden we got sound.

Mr. Clougherty replied I think we're close to where we should be. In the past, we haven't been and that's always been our concern and we wanted to wait until we had the audit fairly well completed and we knew where we were in that regard. So, we have better numbers and we will be coming forward and presenting that to the committee next week and we will have some tracts that show where we've been over time with the different reserves and where we are now and what the impact's been.

Alderman Gatsas stated explain to me how that number all of a sudden appeared to be available when some 90 days ago it was absolutely impossible to have it because I had suggested that we cut the tax rate by that \$500,000 that we had in reserves and you wanted no part of it.

Mr. Clougherty stated that's right. I think, as most finance guys, we want to wait until we get some numbers and we have a better feel for where we are and I feel now that I have better numbers...as far as insurances, I think that with the actuarials that we just got in a couple of weeks ago and they've gone down, so I feel better about that but I'll share all of that information and I'll provide that in the presentation to the committee.

Mayor Baines stated but also in fairness as we get closer to setting the tax rate on a year basis numbers do change once we've got some of the audit information in and we make the adjustments so we're accurate with our tax rate and there have been years where it's gone up beyond what we anticipated because of changes in numbers.

Mr. Clougherty stated I'm only willing to give that \$500,000 if there's the ordinances that are adopted and put in place and a discipline going forward because I think that's important and I'll have the chance to explain it.

Alderman Gatsas stated explain that again.

Mr. Clougherty in reference to the Reserve Accounts stated all of these items for November 6<sup>th</sup> require action by the Board either in the form of ordinance changes...I think all of the remaining ones are ordinance changes. We're not recommending the \$500,000 be available unless the ordinances that we presented are addressed and provide a vehicle to be assured that those actuarially established accounts are going to be fully-funded. I think that's important.

Alderman Gatsas stated so what you're saying is that you're holding that \$500,000 hostage.

Mr. Clougherty stated that is not what I'm saying that may be what you're saying...



Alderman Gatsas stated what you're saying is that if we don't approve the rest of the ordinances going forward that you're not recommending that this \$500,000 reduce the tax rate.

Mr. Clougherty stated that's right because I don't feel that if you don't do the ordinances I can't be guaranteed that the \$500,000 will be there because you may take other actions to use that.

Alderman Shea stated just a comment from me, your Honor. You mentioned about department cuts, so how long are you going to persist in not filling vacancies that need to be filled.

Mayor Baines replied until I'm assured of the direction of this Board. The reason I had kept the freeze in place because there's some uncertainty. I didn't know if the Board was going to come back just arbitrarily cut another one, two, three, five percent off department budgets and until we've taken our final action to set the tax rate I do not feel it is prudent to fill any positions unless we were in a situation where it was actually costing us money, so that is why I've kept it in effect, so until the final decisions are made then I will sit down, we will analyze where we are at financially for the rest of the year and then I'll act on a case-by-case basis with every department head.

Alderman Shea stated you mentioned department cuts as of September 4<sup>th</sup> have they increased at all since that time...your projection was \$650,000 as of September 4<sup>th</sup>...

Mayor Baines stated that is the amount that we cut them, but we actually put those cuts in...that's the final number.

Alderman Shea stated my other point is...Kevin, we haven't received any audit from the very successful civic center and I wondered if we were to receive a positive kind of report from them which would obviously benefit the City would that be put into a reserve fund or how would that...would that be able to be utilized at all.

Mr. Clougherty stated right now they are closing their fiscal year at the end of this month and we expect they'll have an audit to us sometime the end of January, beginning of February and at that point we will have an idea if there is anything that will be coming to the City and depending on what the ordinances are at the time...

Alderman Shea asked would that go into the general fund, that particular amount?

Mr. Clougherty replied right now it would go into the general fund but if you establish the one-time ordinances then it would go into that use for economic development and other things.

Alderman Shea stated as it stands now if any money were forthcoming it would go into the general fund unless, of course, there was some kind of an ordinance saying that it would go...thank you.

Alderman O'Neil asked, Kevin, can you just review again the unaudited fund balance...\$4.3 million, \$2 million is committed to...

Mr. Clougherty replied there is a \$2 million School deficit on the other side that you have to take into consideration there.

Alderman O'Neil stated you mentioned...I didn't follow you when you got down to the \$2.3 million.

Mr. Clougherty stated fiscal year '02 the Board pledged \$1.5 million worth of fund balance. What we're talking about will be the fiscal '02 fund balance.

Alderman O'Neil stated you lost me. The unaudited fund balance to begin with was '02, I though.

Mr. Clougherty stated at the start of last year, for the fiscal '02 budget that was adopted a year ago July the Board made an estimate that at the end of the year they'd have \$1.5 million to apply towards this. So, if you take the \$2 million from School and \$1.5 million, that's \$3.5 million and you have only a \$4.3 million fund balance and that's where you're starting this year with and you're talking about pledging another \$1.1 million already as part of what's been adopted which is well in excess of the \$800,000 remaining and we're saying we might be willing to actually let the Board take an additional \$500,000 if certain ordinances are put in place to guarantee some discipline to make sure that some things happen there.

Alderman O'Neil asked can you put that down on paper and get it out to us tomorrow.  
Thank you.

Alderman Wihby stated I want to go back to the...first of all, the only way you're going to keep this tax rate at a reasonable rate is to make cuts, not by adding registration money, not by adding \$4.00 to parking fees...the parking management contract saves you money, it should be done as long as it's done right. But, the Reserve Account...all those are just gimmicks to reduce the tax rate that somehow, eventually is going to come back to bite us.

Mr. Clougherty stated, Alderman, as I've stated before I agree. The problem at-hand for this year as moving forward is spending and you have to get spending under control and you have to do that through some changes and your major spending is your salaries.

Alderman Wihby stated we haven't done it in this budget nor are we going to do it by the time we set the rate next week. Spending is not under control, the problem is just bigger next year and we're just fooling ourselves if we think we're happy with an 8% increase and next year it's going to be bigger...when the Mayor showed me those numbers at the last meeting was \$14 million or something that we have to make up and so what are we going to do just raise parking another \$10 next year and charge a higher registration fee. We've got to get the spending under control. Department cuts are \$650,000 though...the Health Insurance reserve is not in that so these were actually cuts that we cut the departments \$650,000.

Mr. Clougherty replied yes.

Alderman Wihby stated that includes the Mayor's hiring freeze, that number is in there too.

Mr. Clougherty replied yes.

Alderman Wihby stated so when we pass this budget next week, the freeze is over and we have \$650,000 or it's not over, are we still going to try and get the \$650,000.

Mayor Baines stated we are at the \$650,000 because departments have been told they have to manage their budgets with that additional cut and so what we will do is once the budget is settled we will sit down and analyze the situation and make a determination of the hiring freeze going forward. But, also in response to anybody who wants to make additional cuts such as I read in the paper today, make some proposals. If people have some alternatives for dealing with this situation let's make them and vote on them.

Alderman Wihby stated, your Honor, we had that proposal in front of this Board before you did your budget and you wouldn't accept it, you said you were going to veto it if there was going to be any cuts. So, we let this budget go, you told us you were going to work on it and you said you were going to do it by watching...having a hiring freeze and watching our expenses and you were going to have some consolidations and again some of that is not your fault because some of your plans haven't gone through yet, but at least we talked about it in the very beginning, we've had six months to work on it and nothing's changed. We're back at the same percentage we're looking at especially since those last three items didn't pass at the last meeting...we're back to just about the number that you set, that this Board at least, I think when they passed it thought it was going to become lower...we did have the problems with the assessments but we also picked up an additional \$700,000-\$800,000 in money that we weren't expecting on getting and the fund balance being better, additional monies from

School revenues and the other one twenty-five from the assessed valuation that we ended up getting.

Mr. Clougherty stated just to clarify one point. When we talked to the Aldermen and to the department heads on the \$650,000 the questions was would you rather have a hiring freeze or some things like that put in place, controls at the Board level or get a \$650,000 cut that you know what that number is and you know you can deal with it and I think the unanimous opinion of the departments was cut us the \$650,000 and then give us the flexibility. So, the \$650,000 been cut, the hiring freeze has still stayed in effect until the tax rate is set because the Mayor has been waiting for but I would expect that once the rate is set that comes off and the department's have to manage within the numbers they have.

Alderman Wihby stated so the \$650,000 has already been reached, what's wrong with for the next six months...and that \$650,000 was basically on the hiring freeze.

Mr. Clougherty stated I think you're double counting there because the \$650,000 is based on what projected the departments could cover, that is the \$650,000 already saved, that's a projection going forward.

Alderman Wihby stated so it's not quite there yet, but they know that they have a number that they have to come up with and that is what's being watched till the end of the year.

Mr. Clougherty stated exactly they can live with it. Whereas if you took the \$650,000 and then did it again that's a much different hit for them, that's pretty significant.

Mayor Baines stated one of the wild cards...we've been dealing with the Highway Department, if I recall, there were some Aldermen expressing concerns about the additional cuts we made in Highway. If you're going to make substantial cuts you have to do them out of Police, Fire and Highway and at other times during the cycle Schools that is where you are going to make your cuts. In the case of the Highway Department we have to pray for a mild winter. If we don't have a mild winter we could have some very serious issues. It's the same issues that you relate to Fire, what's been happening in our community with fire responses, we also have issues as we talked about with the Health Department, with biomedical terrorism issues and things we're getting prepared for, we have Police protection issues, issues around our City...the Police just had a major drug arrest that ultimately probably saved the lives of people...we have some very good investigative work that's going on here. If we had taken the suggestions of some Aldermen to cut approximately \$4 million out of the School budget we'd now have class sizes of 40 to 50 students, it was almost \$4 million that it was going to cut out of the budget, you would have ended up aggregating all the contracts that have been negotiated, we would have had chaos. What we've tried to do is bring a very thoughtful, deliberative process to the people of this City preserving vital services and keeping the tax rate in line in a responsible way that we can respond. The City

of Concord, front page news on Friday is facing a \$1.1 million issue...we're trying to preserve vital services...if people want to cut services, make a proposal and let's on cutting services, but not what you're cutting...not across the board cuts which don't make any sense and are not responsible. This is a responsible approach in very difficult times.

Alderman Wihby stated, your Honor, responsible isn't having a reval and everybody's tax rate going up, five, six, seven, ten percent (in some cases even more) than having another year of an 8% increase and then having another one of a 10% increase; that's not responsible.

Mayor Baines stated, Alderman, if we want to get into bartering about the past I'm willing to engage in that...but at the last minute of the budget process...

Alderman Wihby asked would you like to step down, your Honor, and we can debate it?

Mayor Baines replied no, no I'm not talking the issue, there are motions on the floor and perfectly at liberty to talk on issues. Last year, during the budget process the revenues were arbitrarily raised 6.9% against the recommendation of the Mayor and the Chief Financial Officer of the City that's about where we were off on revenues last year. If we had had accurate revenue projections last year we would not be in the financial situation as deep as we are this year. So, if we want to go back and talk about the past I'm willing to do it, I'm trying to look forward...I'm not finished yet...I brought forward cost-saving measures, restructuring...I've asked people to look at consolidations of departments, I've put forward responsible approaches to deal with some of the fee situations long-term for the City; that's a responsible plan. If somebody has something else that's more responsible put it on the floor, let's debate it and vote it up or down.

Alderman Wihby stated to follow-up on that you said that the revenues were at \$6.9 million off...

Mayor Baines stated 6.9%.

Alderman Wihby asked why didn't the Rainy Day fund kick in then?

Mr. Clougherty replied remember, Alderman, that the Rainy Day fund kicks in in a general fund deficit. If you're able to offset some of those revenue losses by reduction in expenditure which is again the prudent way to do it then the Rainy Day doesn't kick in. A lot of talk about...

Alderman Wihby asked how did the revenues not being as high as we predicted raise the tax rate then if we ended up with a fund balance anyway. How do you get to that?

Mr. Clougherty replied it didn't raise the tax rate.

Alderman Wihby stated I just heard the Mayor say that the 6.9% revenues that this Board over projected affected the tax rate, if we still had a fund balance how...

Mr. Clougherty stated you could have applied that.

Alderman Gatsas stated, Kevin, the reserve money you put in here...that's one time money?

Mr. Clougherty replied no, let me just make sure I know what you're asking. One of the ordinances that we're proposing is to take one-time revenues and set them aside into a Special Revenue fund.

Alderman Gatsas stated the Reserve account that you show for \$500,000 with a reduction in the tax rate of \$.10 that's one-time money.

Mr. Clougherty replied right.

Alderman Gatsas stated now I think that you sat with me along with bond counsel and said that was absolutely the worse thing we could do. Looking at one-time money in sales of garages you said was not the right thing to do. Mr. Tortora said exactly the same thing, the State of NH is in the fiscal problem right now because we took one-time money and applied it to education funding, you're now proposing that we take one-time money of \$500,000 and do the same thing in the City. So, that \$500,000 we have to find somewhere as a new revenue source next year must appear somewhere or that tax rate's going up that \$.10.

Mr. Clougherty interjected or reduce spending.

Alderman Wihby why couldn't we reduce spending this year, why do you think we're going to reduce it next year.

Mr. Clougherty stated again as I've said the problem that the City has is not a revenue problem, we're going through a revenue softening period, but we're not going through a revenue problem. A revenue problem...I've heard a lot of the members of the Board say it's "raining"...in 1991 when you're at 85% collections on your tax revenues and you've got \$25 million on a \$100 million budget outstanding that's "raining". Those are the things that the Rainy Day fund was put in place for. When you're off \$16 million in tax collections in several years we only have \$9 million in the fund right now, that's no where near enough to offset and those numbers that \$25 million and \$16 million was based on a \$100 million budget, you now have a \$200 million budget.

Alderman Gatsas stated so let me understand. You're recommendation to this Board which is different today than it was sometime at the end of June you said that at the end of June we should not be using one-time money to reduce the tax rate...today, you're saying we should use that one-time money and reduce the tax rate.

Mr. Clougherty stated I don't see this as one-time money. I think this is fund balance under your domain. Under the Statute that's your control. So, I don't see that as a one-time revenue. If you choose to use it, that's fine. If you choose not to use it and want to continue it for next year that's fine too.

Alderman Gatsas asked explain to me...if we're putting that aside how does that reduce the tax rate by \$.10? We're either using the money or not. You're showing me a \$.10 reduction in the tax rate here.

Mr. Clougherty stated if you want to apply some of your undesignated fund balance some additional amount of your undesignated fund balance that will reduce your tax rate.

Alderman Gatsas stated right here on this sheet that you just gave me you said to this Board that effectively October 28<sup>th</sup> the \$1, 537,351 that we've already effectively reduced or saved reduced the rate to 8.5%. You said if we do the following four items that would reduce that by another \$1.84 or some...is that correct...\$.20?

Mr. Clougherty replied right.

Alderman Gatsas stated so the reserve account that you're showing me of \$500,000 that reduces that 50% of the \$.20 or \$.10...that's one-time money that goes away. We're using it and it's gone.

Mr. Clougherty replied I look at it as...this isn't a revenue, this is your fund balance calculation that you're going to be looking at every year and it rolls forward, it's a dynamic calculation each year. Now, if you want to choose to use some of your fund balance it's allowed under the Statutes.

Mayor Baines asked how much money is in the undesignated fund balance?

Mr. Clougherty replied \$4.3 million...again, unaudited.

Alderman Gatsas stated that shortfall in that account is not due to this Board or the overspending here, is that correct or incorrect?

Mr. Clougherty replied that's correct.

Alderman Gatsas asked why has the fund balance gone from...how are we so perceptive and I think I asked this question and you couldn't give me the answer a few months ago when I asked it. How was this Board so perceptive that we increased fund balances that were averaging somewhere around \$400,000 to \$500,000 and all of a sudden we put \$4.3 million in that account, how were we that perceptive to know that there was going to be a shortfall coming.

Mr. Clougherty stated again we have talked about this with the Mayor and we have made presentations about the changes in the economy and how we are, did feel that we were peaking out and going into a new environment and that we should be looking at putting more fund balance away. So, I don't think that is unplanned. I think that was a good plan. We had some discussions about was the country going in a recession or not. Our position was, it was. Some members of the Board said it wasn't. I think ours was the right projection. Now, maybe we were six or eight months off on our projection but we've shown to be on the right path and I think that was prudent to set aside some of those things at the time.

Alderman Gatsas stated you don't think that during that revelation that you had 911 had anything to do with the economy that we're in today.

Mr. Clougherty replied I don't try to predict events. What I try to do is take a look at the long-term cycles and if you take a look at and this is one of the things we'll present at the next meeting, if you take a look at the biorhythm of the economy. we were due for a correction and we felt that there were signs showing that there was a correction and if you read the information that we provided to the Board in terms of the revenue forecast that we had gotten along with the top regional economist were saying the same thing, so I don't think we were off on our projections, I think we were early but I think we were right now.

Mayor Baines stated the numbers we projected we used a different approach a year ago and did talk to some regional economists to try to get the political realm out of the issue and that's when they came in and recommended those revenue figures that we presented to the Board.

Mr. Clougherty stated along those lines I would say that in this environment the likelihood that you're going to need a substantial amount of money in the future, in your fund balance to deal with a downturn in the housing sector when that comes...\$9 million is not enough to deal with that especially when you look at the history of the collections during such periods and we're going to provide that to the committee next week and again I don't have it available tonight but we will for the next meeting.

Alderman Smith stated I've been an advocate of using the Rainy Day fund in dire circumstances, I understand from your testimony tonight we have \$9 million in the Rainy Day fund as of right now.



Mr. Clougherty replied right.

Alderman Smith asked how much in the general fund surplus, what was the percentage that went to the Rainy Day fund and what went to the City, what percentage, Kevin, in our surplus this year?

Mr. Clougherty replied I'm not sure...50%...that's what the Statute requires.

Alderman Smith stated I have a suggestion and I'll through it out, why don't we and I'm sure we would probably come to an agreement...why don't we have a cap on so much going into (percentage) the Rainy Day fund and the rest goes into the general fund with no obligation.

Mr. Clougherty stated we do, there's a 5% cap.

Alderman Shea stated this is probably a point of clarification...when the assessments came about one-third of the people's taxes went down, one-third stayed the same and one-third went up, I think that impacted most of the people whose property, according to what the Assessor's said, were underassessed at the time. I'm certainly not speaking in terms of taxes and so forth (increasing them) but I'm just making a point of order that not everyone's taxes went up with the reassessment took place. There were some people whose taxes actually went down. My second point has to do with the School Department and you keep mentioning that they're going to be...that we're going to have to supplement their particular deficit by \$2 million, is that correct, is that a set figure or is that sort of a figure that is dependent upon whether or not there are more surpluses in their capital...

Mr. Clougherty replied the agreement that was reached with the School District and the courts was that we'd try to eliminate the deficit as soon as possible because that was in the best interest of everyone. The formula that was laid out would allow for the School to do as much as it could over basically two fiscal years and the balance would be made up by the City. Depending on how their books end up this year and again they're unaudited but based on their preliminary numbers it looks like we'll have about a \$2 million or a little more than \$2 million that we'll have to appropriate for the next year's budget to eliminate that.

Mayor Baines stated it has to be appropriated from this side, but it's projected to be (I think) \$1.5 million.

Mr. Clougherty stated I knew there was a change but whatever that number is we have to deal with it as part of next year's appropriation, we'll try and get it as low as we can.

Alderman Shea stated instead of it being \$2 million, it's \$1.5 million...which would be a difference of \$500,000.

Mr. Clougherty stated that's not affecting this year's tax rate, next year.

Alderman Wihby asked can we just go over that. You remember what happened, what was the number and what have they paid?

Mayor Baines replied Randy can perhaps go through the details of it, but we paid off...they paid off this year?

Mr. Sherman stated their deficit as of June 30, 2002 and I don't believe their audit is done, but this is what they've filed on their tax forms is between \$2 million and \$2.1 million...I believe it's \$2.086 million. What they have said is during the '03 cycle they have committed to reduce that at least another \$500,000. So, when the Mayor talks \$1.5 million that's the number that he's got in the back of his mind that he needs to raise in the '04 budget to wipe it out. That is what the deal was. Whatever the deficit is at the end of '03 we'll raise in '04 and totally eliminate it. Now, this year they started with about a \$2.9 million deficit, so they actually knocked it down over \$800,000 this year. Now, going into '03 they've already given you this \$507,000 of revenues over what was anticipated. So, that's not available for them to reduce the \$500,000 this year, but they still are saying it's going to go down another \$500,000.

Alderman Lopez stated I have three items here and if it gets too long we can go to somebody else. I want to go back to number one the Stabilization account again. I think you said something tonight that is very intriguing to me that by November 6<sup>th</sup> we have to make ordinances and we can suspend the rules and everything, so if there are eight Aldermen on this Board that really want to do something for the taxpayers we'll change those rules of the Stabilization account and not make it 5% but make it one percent or two percent and take \$2 million out of there to lower the tax rate for this year. Without all the jumble we talk about finances and I say this with due respect to you the twisting of words from some Aldermen and you and you to us in a setting like this is not the same that we get into at committee meetings and stuff like that where we can really get down to it, but I say to the Aldermen here let eight of us stand up, take \$2 million out of the Stabilization account, change whatever rules/ordinances we have to do in order to make the tax rate come down, that's one thing we have to do and move the question to the floor.

Mayor Baines stated let's have Kevin respond.

Mr. Clougherty replied again that is against our recommendation. We think that is not in the long-term or even the mid-term of the best interests of the City of Manchester, we think that's politically expedient for this particular time and it is not in the best interests of the City. We think it could have ramifications for your credit rating and we think it does not position you to deal with the inevitable future of the economy as we see it and other

economists see it. We just don't think that's in your best interest. Certainly, you can do it, Alderman. But, you face the consequences and the perils of taking that action down the road which could be immediate. We don't want you to think that you can just go in and hit that fund and it's not going to hit you. It will hurt you.

Mayor Baines stated the other thing is I want to point out is that one of the things is we are putting together and we've been working on it for some time now is having the City look out about four years in terms of the financial challenges that we're facing and we're putting that together, I plan to have a joint meeting with the Board of Mayor and Aldermen and the School Board, invite department heads, union officials, obviously televise it and outline everything that we need to go going forward to deal with this situation. I think we've put together some prudent courses of action here to deal with this situation. I think it's vital that we do not do anything to disrupt the financial integrity of the various funds that we've established because as I keep pointing out to you next year is even more challenging for us. Some of the financial challenges that we are facing are totally out of our control. The issue with the Retirement System is a result of what's happening with the national economy, with the stocks and everything and we face an additional \$1 million obligation right, Randy.

Alderman Gatsas stated \$1.4 million.

Mayor Baines stated the figure that we were given was \$1.5 million, unless there's a new one.

Mr. Sherman stated the \$1 million is just Police and Fire and you have a number for the teacher's as well.

Mayor Baines stated you also have the situation with the local Retirement System. As you recall last year we were very surprised with last minute information I think it increased about \$600,000 beyond what we had anticipated and we could be looking at another \$1 million there. We also have an obligation to open up a fire station which is going to be another \$1.1 million. So, there are lots of things going on financially that we're trying to get a hold of here. We need to get through this year, I'd be very prudent going forward in making decisions. Do we have to look at spending, absolutely. We have come forward and presented proposals to look at spending going forward. But, I do not recommend taking anything of the nature described at this time until we are able to analyze the situation going forward to make good financial decisions.

Alderman Lopez as you look at the Parking Management Contract we realize that's not going to happen. We're not going to get a new contractor in here to take care of the garages and we're not going to make \$150,000; that's been through and waiting for three months for a new contract and it's not going to happen...a \$4.00 parking fee, it's not going to happen. There aren't enough Aldermen here that are going to vote to put a \$4.00 parking fee on the

garages and the auto registration fee...they're not going to put another fee on the auto registration, so we're back at square one of \$25.86 on the tax rate. Now, we have to do something. There's a tough decision. Every city in the United States has utilized stabilization of revenue accounts or whatever the case may be. If we take those gambles there hasn't been a financial consultant here to say if you do this, this is what's going to happen. It could happen, maybe it will happen, it's a gamble we have to take. I would like to put a motion on the table to do whatever ordinance changes we have to do to take \$2 million out of the stabilization account to help the taxpayers this year.

Mayor Baines asked are you talking about the Rainy Day fund?

Alderman Lopez replied yes, the Rainy Day fund.

Mayor Baines asked are you actually making that as a motion right now.

Alderman Lopez replied yes, I am. Alderman Osborne duly seconded the motion.

Alderman Wihby stated we have had that discussion numerous times, we've had it with the bond people and everybody else and they've all recommended not to do it and instead of standing up and counting ourselves and cutting the Rainy Day fund we ought to be standing up and cutting and not just cutting the Rainy Day fund but cutting the budget, that is the only way we're going to get this under control. You take the Rainy Day fund, \$2 million whatever number you throw out there today you're going to have to do it again next year because that's a one-time shot you're going to get and the only way of solving this is to make additional cuts or keep the hiring freeze on or do something different...it's not by depleting some of the funds that we have sitting up there for reserves and it's the same Aldermen that are saying let's deplete the Rainy Day fund that at our last meeting suggested let's go ahead and form all these other rainy day funds, so it doesn't make any sense. So, we want to go ahead and make additional funds so that when it's raining we have them and at the same time we want to deplete the one we have today.

Alderman Shea in reference to the \$4.3 million asked if we were to take another \$500,000 out of that, Kevin, is that a prudent move, assuming that what Alderman Lopez indicated that three of the proposals: Parking Management Contract, \$4.00 Parking Fee, and Auto Registration is a wash...if we were to make that up by suggesting that we taken, instead of \$500,000 from the reserve account, a million anticipating that possibly through the civic center coming through for us or for any other area that that would not be as severe an impact on our bond rate and other components that hold up City government. What would your thoughts be on that suggestion?

Mr. Clougherty replied my feeling is that the \$500,000 with the ordinances is as far as we're willing to stretch. I think that's something you might be able to attain, a \$1 million, I think

you're just not going to make it and the \$500,000 would only be if we could see that there was put in place some of these other reserves to make sure that we would have that money at the end of the next fiscal year. The Rainy Day number...again, it's okay to say you want to take a gamble but that's what you're doing is you're gambling and I'm not advocating that you gamble.

Alderman Shea stated that is more of a bonding rate kind of issue but is this particular issue so cast in stone that we couldn't more or less finesse a little bit of help here.

Mr. Clougherty stated let me tell you where I'm coming from and I know Randy wants to say something and let him contribute as well. I don't think with the cuts already made in this year's operating budget I do not think that the departments at the end of the year are going to be able to give you back as much from their budgets as we've seen in the past. For example, we've been lucky to get some money as the Mayor had indicted from Highway because we haven't had some stormy winters...you can only run that so long before you get hit with some of those items. So, I don't think that with the cuts that we have already put in place that you're going to get a lot of money back from the departments. On the revenue side, I don't see us getting any relief in higher rates for investment from the Federal Reserve, it's just not happening and by the time it does happen we're not going to be able to make up some of those dollars. I don't see us getting the additional money that was forecast for the internet. We hope that with the things we're putting in place we could get you to a comfort level where we think the additional \$500,000 is available, but I don't think there's anyway that you can get more than that.

Alderman Shea stated that's something I'd like to hold in abeyance.

Alderman Gatsas stated I would believe that if somebody was going to offer one-time spending and I think I've gone through this that that money either is going to be made up in cuts next year or we better hope we have the revenue because it doesn't disappear. So, either we are going to have to make the tough cuts this year or we make them next year and I can tell you that the cuts next year are going to be worse than what they are this year. Your Honor, I would think that somebody would come before us to talk about reductions in costs, would certainly be able to tell us what the first three months of freezes in positions would have accumulated to so that if somebody could say the first three months have offered \$300,000, we know going forward that's \$1.2 million and not \$650,000. I would think that that should be in front of us so that we can make an intelligent decision on what those freezes really saved the City.

Mr. Clougherty stated we don't have that number tonight, the freeze I think didn't go into effect till sometime in September after we found out the problem with the valuations, so I think we could calculate that and we could have it for you at the next meeting or we'd get it out tomorrow and work with Human Resources, but I just don't have that number tonight.

Mayor Baines interjected we can have that for next Wednesday.

Mr. Clougherty asked do you want a projection of that, Alderman. Do you want what we spent to date or what we've saved to date through the freeze and then what that would be through the year.

Alderman Gatsas stated obviously the three deputies have been in a frozen position way before September, I would think there are other freezes that haven't been filled from the last budget freeze that you had going, you should know what those positions were and how much they've been frozen.

Mayor Baines stated we can definitely get you that information.

Alderman Gatsas stated I don't think we should be sitting here talking about using one-time money to go forward, it's wrong, it's not right. Certainly, if we had the ability to do it some other way I would be the first one to say it, but using one-time money...the Reserve account of \$500,000, the Rainy Day fund of \$2 million is just not...you wouldn't do it in your own business.

Mayor Baines asked, Kevin, why are you recommending that based upon his logic or is that logical? It is an undesignated fund balance. Is it appropriately applied in this kind of situation as was described by you?

Mr. Clougherty replied no because I think, Mayor, what we're trying to do is put in place a fabric of controls in the ordinance that we feel are important long-term and we think that by having them in place that long-term and again fund balance for us is not a one-time, it's a long-term item. We feel that's what important because if we can get those ordinances put in place they will have benefit to you down the road in three years, five years, ten years.

Mayor Baines stated we put this ordinance in place after consultation with our financial advisors because you may recall during discussions when they came forward I raised the issue of the concept of a tax stabilization fund, a fund that many communities across the country including communities that our financial advisors are working with so I asked them in a meeting subsequent to that to go back and advise us on the mechanics of establishing a tax stabilization fund so that if we look long-term for the City that when we are in situations like we are today, as many communities are, they're using their tax stabilization funds to do just that. That is why this is here, it's based on consultation with our financial advisors, with the our finance people in our own offices here, it's looking long-term not short-term.

Mr. Clougherty stated again I agree with Alderman Gatsas it's a spending problem, we have got to control spending. We're spending too much and it has to be taken care of. But, in the

short-term for this current rate in order to be able to...there's two things you're trying to balance too when we set the rate is there are people in businesses out there that are affected by the rate and the lower you can get it and especially in this softening economy the better that is. So, if we can make \$500,000 available at this point if we can and still get in place what we need to be able to make those numbers work in the future that's important to us, so I don't disagree with the Alderman...

Mayor Baines stated we can all agree with that but if we're going to make cuts now they have to come out of the biggest departments in the City (Police, Fire and Highway)...are you recommending at this time additional cuts out of Police, Fire and Highway?

Mr. Clougherty replied my recommendation has been to restructure on a functional basis and to save some dollars that way and I really believe that that's the way we should be looking at it.

Mayor Baines stated we have all of those proposals out in some form to various committees of this Board that are looking long-term whether it's the financial structure of the City, departmental structure of the City and just so I make this point whenever we attempt to do anything of this nature the immediate response is automatic resistance instead of let's look at it objectively and see if some things make sense for the City and we're asking everybody to take a look at this so we can look long-term.

Alderman Lopez interjected there's a motion on the floor, your Honor, and if we can deal with the motion up or down and then we can move on because there are some other suggestions I have too.

A roll call vote was taken on the motion that \$2 million be taken out of the Rainy Day fund to assist with the tax rate this fiscal year. Alderman Wihby, Gatsas, Guinta, Sysyn, Pinard, O'Neil, Shea, DeVries, Garrity, Thibault and Forest voted nay. Aldermen Osborne, Lopez and Smith voted yea. The motion failed.

Alderman O'Neil stated I guess I take a little exception to the comments that we have a spending problem. I don't know in this City where we have exorbitant amount of Police protection we can always use more Police protection. I don't know where we have extra Fire protection in this City, we are trying to address that problem. I don't know where we have a great ratio of student to teachers in schools, I don't know where we can improve if we gave Highway more people things would be greatly improved in the City of Manchester, so I guess I take some exception with we have a spending problem. I think we've set what our priorities are and those priorities cost money. It costs money to provide Police protection, Fire protection, a good school system and Public Works in the City of Manchester and I think that the residents of this City are willing to pay for those services. So, I don't like painting this picture that we have a spending problem. We have decided, the elected

officials in this City, that we're going provide as best we can quality services and I think our departments do a very good job of providing those services with, in some cases, very limited resources. This is probably something we discussed during the budget process, do we know what the average home is assessed in the City.

Mr. Sherman replied right now we're using \$150,000.

Alderman Lopez stated I'd like to know the unfilled positions for the remainder of the year of what the total finances would be for the unfilled positions minus the Highway Department...the trucks drivers that are needed for the upcoming winter months, they will need these unfilled positions very shortly after we decide what the budget rate is. But, all of the other unfilled positions...I'd like to know what the total cost would be.

Mayor Baines stated what we are going to do is give you the total for all of the unfilled positions and as you know what we had asked the departments to do on the latest round of cuts is to look at how they were going to manage that cost savings with the additional cuts that came about including the hiring freeze that's already in place. So, that was already calculated as how that number was going to be managed, but we're going to give you all of the numbers but I also want you to talk to the department heads about the implications of not filling certain positions. I know the Chief would like to talk to you about the implications from a public safety issue of not filling two deputy chief positions...there are lots of issues that people want to talk about as well. So, we'll give you all of that information but a lot of that was calculated into the cuts that were already made.

Alderman Lopez stated a second item that is asked many times in reference to selling the garages an analysis of where there was a bid for \$7.5 million and the debt service we have on the garages is less than that...Randy, you were going to make an analysis of that whole this to present to us as to whether or not it's beneficial for us to sell the garages. I realize we've put a lot of money into the garages, but that money's like slot machine...it's gone, forget it. If we're going to get \$7.5 million is that a good recommendation from the finance people that this would be a great thing to do, to sell the garages at \$7.5 million to help out the City here and I have not seen any analysis from the Finance Department in reference to that.

Mr. Sherman stated I do have the analysis completed...you pick a committee and a night and we'll give you the presentation. I think we talked about it at one committee meeting and I'm not sure which one it was about what it would take to get to a breakeven point because you're still losing dollars there and I think we talked about if you were going to break even to get up to the same point as selling the garages you'd have to get up to \$73.87 or some silly number like that, but yes there is a carrying cost to owning those garages. So, economic development issues aside whether it's good for the City to control parking or not control them there is a cost to holding them.



Alderman Lopez stated I would like to have a recommendation financially does it make sense for the City to sell the garages.

Mr. Sherman stated on a pure dollar basis my response to that would be yes.

Alderman Lopez stated we will get the figures for that by November 6<sup>th</sup> so we can make an intelligent decision on that maybe.

Mr. Clougherty stated again it's all what the numbers are and what you're economic development is...

Mayor Baines stated from a pure financial basis it would make a lot of sense to sell City Hall too but there are certain things that you just don't do when you're looking at long-term economics as well...it's economics and financial as well.

Alderman Lopez stated I realize that, your Honor, but I think when we ask for these things so we can make those intelligent decisions...not just what's up on the screen that we should look at, we should look at all of the other factors involved so that we say that's correct, this is wrong, so we go that way and my last subject that I would like to bring up is the enormous amount of money we're giving our department heads (with all due respect to them). We now probably have quite a few people that are making over \$100,000 a year. I think that we have to take a look at it. We looked at the Yarger Decker to do the performance analysis and take all of the savings away from the department heads because there's a lot of paperwork and they can check now and go on and give the merit increases, but I think department heads are hired on the basis of knowledge, they are hired on the basis of experience, education and we give them a good starting salary for whatever the case may be. I think, with all due respect, and I say this to them because I know of none but all department heads should perform and should not be automatically for management to get a 3% increase every year and when somebody is getting seventy and I would do an analysis of it and I will provide the Board of the information...some of these department heads have increased \$20,000, \$24,000 in the last six years. It's unheard of, it's unheard of in Public Service, it's unheard of at Verizon and all your major corporations that automatically you give management three percent pay raises and that's in the Yarger Decker, so we have to take a great look at that. I can understand that there could be money in there to be given to department heads during the budget and let him give the necessary merit pays in cases whatever he needs to do or whatever you need to do to give something for performance and I think we have to look at that and we haven't looked at it.

Mayor Baines stated your Chairman of the Human Resources Committee and you certainly have that within the purview of your committee to come forward with a recommendation to this Board.

Alderman Lopez stated I shall.

Alderman Smith stated in regards to the garages the bid that was \$7.5 million has already expired. It was valid until 10/12/02. I'd just like to say one thing. I have to agree with Alderman O'Neil, I don't want to cut any services whatsoever. I think safety is an important factor in any business and we're running a business. I think it's up to us to go to our meetings...Traffic Committee and so forth and step up to the plate on November 6<sup>th</sup> and make some final recommendations. Thank you.

Alderman Thibault stated I think that in Lands & Buildings what was said is that we were in favor of selling the garages or at least bringing the cost of parking close to par to what other people do, normal people do. I believe that Lands & Buildings understand that we have always used parking as a catalyst to bring up economic development in this City and I think most of the people on this Board realize that. The thing is if we could bring our parking rate up say three or four dollars or five dollars cheaper than what our competitors are I think this is what this committee was looking at and if it was misunderstood I'd just like to clarify that.

Mr. Clougherty stated I think that's right. The question was the subsidy and the value of the subsidy and could that be eliminated and get yourself to a breakeven.

Mayor Baines stated parking has always been the price of competition with the suburbs as we've tried to develop the downtown for both the business and residential climates, so we need to keep that balance in mind.

Alderman Gatsas stated I believe we received something from Jay Taylor today about parking. Looking at the quick analysis it looks like the vacancy is somewhere around 45%, I had made a suggestion as the last Lands & Buildings meeting that maybe we think about condominiumizing parking spaces because it creates...if we took those 2,500 spaces, talked to people downtown and you took that on a \$10,000 space that's \$25 million that the City would realize and even if we didn't do them all we could lease out some of those spaces because we're at some 40%, but if you take that number and take that \$10,000 figure over a 20-year period with depreciation and everything else you may have people standing in line wanting to do it because it's less than what their monthly rate is. I think you would find that it may be a lot easier and quicker to get done. We asked for it, I haven't seen it, we have three capable people in the City with Mr. Jabjiniak and Mr. Taylor and the Finance Department that I would think they could sit down and see how we could do it so we could generate some sort of revenue. I brought forward saying that the Assessor's...right now, we've got them on a freeze and they're trying to accommodate what the City's looking at and they're four positions short...how many positions shorts in Assessors.

Mayor Baines replied two...we filled one.

Alderman Gatsas asked so you're at how many people?

Mr. Tellier replied probably six.

Alderman Gatsas stated you're at six people in the Assessor's Office and that is supposed to be a revenue source for the City and we're looking at proposals for consolidation for 11 and 12 and I brought forward that maybe we should hire two more so that we could do some of the surrounding community evaluations. But again, your Honor, we don't look at the positive, we just sit here and say we have an opportunity that is available but we have only got six people in that department that's out there...how many appeals do you have in process now.

Mr. Tellier replied approximately 276 before the Board of Land and Tax Appeals and 23 at Superior Court.

Alderman Gatsas stated and we're trying to do that with 6 people.

Mayor Baines stated and we're spending too much. I agree we have a dilemma here.

Alderman Gatsas stated I'm looking at...we're spending \$1.5 million on CIP cash, we have everything on the table, we had that opportunity. I suggested we look at CIP when we were in the budget cycle. We've spent more time since we finalized the budget in June about talking about this budget than we did when we were in the middle of the budget cycle.

Alderman DeVries asked for Wednesday night or before (hopefully) if we can get updates to the percentage of budget cuts that were given originally. There have been COLA's that were assumed in those budgets that have not yet been given and we're a third of the way through the year, so I would assume some of the budgets proportionately have been affected more than others that would have higher numbers of unaffiliated. Can we get updates on those numbers so we can see what we've actually cut on budgets.

Mr. Clougherty replied sure.

Alderman Lopez stated I'd like to get a little clarification here because Alderman Gatsas makes it sound so simple on the abatements and all that. I'd like the City Assessor to come up and explain the procedures here because it's not the people who are in the office that are going to do this, it's the reval company that is going to have to justify their figures and if Steve could explain the procedures here, it's not all his people...six people in that office are going to run out there and take care of anything or ten people.

Mr. Tellier stated the way the contract was written they would come in and review the abatement requests. If a property owner or entity submitted additional information that

warranted a lowering of the value then they would take that into consideration. The way the contract reads is that if we disagree with what the revaluation firm recommends for any firm then it's up to the Board of Assessors to defend that value. In other words, if somebody comes in and warrants a lower assessment the revaluation firm, their senior appraisal staff concurs with that but we disagree then it would be up to us to defend it. So, it's a two-part process...they're working in collaboration with the Board of Assessors.

Alderman Lopez stated they are the first line that has to justify or go with the abatement with the individuals if they agree or disagree so those cases that you have whether it's 600 or 800 is not going to all be done by the Assessors, the reval company is going to do everyone of them and if they come up with 25 or 100 that you disagree with those are the cases you would go and defend.

Mr. Tellier replied that is correct.

Alderman Gatsas asked, Steve, how many of those are going to the Board of Land and Tax Appeal.

Mr. Tellier replied there are 276 currently listed with the Board of Tax and Land Appeals and 23 (to my knowledge) we were informed of by the Solicitor's Office at Superior Court.

Alderman Gatsas in reference to the company that did the reval asked are they going to the Board of Tax and Land Appeals?

Mr. Tellier replied again what they would do is look at any additional information submitted by an appellant and if through that additional information an adjustment was warranted they would recommend that change to the Board of Assessors and they would defend their new opinion of value. If the Board doesn't agree with that then it would be up to us to defend an alternative.

Alderman Gatsas asked who does the appeal at the Board of Tax and Land Appeals do the Assessors or the company that did the revaluation?

Mr. Tellier replied it would be the revaluation firm if we concur with their change and it still goes to the Board.

Alderman Gatsas stated if you don't concur you're doing it.

Mr. Tellier replied that is correct.

This being a special meeting of the Board, no further business was presented and on motion of Alderman Smith, duly seconded by Alderman Pinard, it was voted to adjourn.

A True Record. Attest.

City Clerk